

MONTANA LEGISLATIVE HISTORY

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AVAILABLEChapter 683 19 85Bill H _____ S 129 Original bill & history C

H. Committee on <u>Business & Labor</u> Agriculture & Livestock	S. Committee on <u>Agriculture & Livestock</u> Injection
Hearing Date(s) <u>Mar 20</u> ✓ <u>C</u>	Hearing Date(s) <u>Feb 01</u> ✓ <u>C</u>
<u>Mar 28</u> ✓ <u>C</u>	<u>Feb 20</u> ✓ <u>C</u>
_____ <u>C</u>	_____ <u>C</u>
_____ <u>C</u>	_____ <u>C</u>
Date Out <u>Mar 28</u> ✓ <u>C</u>	<u>Feb 20</u> ✓ <u>C</u>

Did this bill originate in an interim committee? Yes No

Committee _____

Report _____

SENATE FINAL STATUS

2/08 ADVERSE COMMITTEE REPORT
2/08 BILL KILLED

SB 128 INTRODUCED BY HIMSL, MAZUREK, ET AL.
REPLACING THE MECHANICS' LIEN LAWS WITH THE UNIFORM
CONSTRUCTION LIEN LAW

1/18 INTRODUCED
1/18 REFERRED TO JUDICIARY
2/08 HEARING
2/11 TABLED IN COMMITTEE

SB 129 INTRODUCED BY BOYLAN, THAYER, ET AL.
CENTRALIZED FILING SYSTEM FOR SECURITY INTEREST
COVERING AGRICULTURAL GOODS

1/18 INTRODUCED
1/18 REFERRED TO AGRICULTURE, LIVESTOCK & IRRIGATION
1/21 FISCAL NOTE REQUESTED
1/23-REQUEST FOR FISCAL NOTE CANCELLED
2/01 HEARING
2/15 FISCAL NOTE REQUESTED
2/21 COMMITTEE REPORT-BILL PASS AS AMENDED
2/21 STATEMENT OF INTENT ATTACHED
2/21 FISCAL NOTE RECEIVED
2/23 2ND READING PASS
2/25 3RD READING PASS

TRANSMITTED TO HOUSE
2/27 REFERRED TO AGRICULTURE, LIVESTOCK & IRRIGATION
3/07 REFERRED TO BUSINESS & LABOR
3/20 HEARING
3/29 COMMITTEE REPORT-BILL CONCURRED
4/01 2ND READING NOT CONCURRED

RETURNED TO SENATE
4/02 RECONSIDERATION

RETURNED TO HOUSE
4/09 2ND READING CONCURRED AS AMENDED
4/11 3RD READING CONCURRED

RETURNED TO SENATE WITH AMENDMENTS
4/13 ON MOTION RULES SUSPENDED
TO ACCEPT TO CONSIDER HOUSE AMENDMENTS
4/17 2ND READING AMENDMENTS CONCURRED
4/18 3RD READING AMENDMENTS CONCURRED
4/25 SIGNED BY PRESIDENT
4/25 SIGNED BY SPEAKER

4/25 TRANSMITTED TO GOVERNOR
5/09 SIGNED BY GOVERNOR
CHAPTER NUMBER 683 EFFECTIVE DATE: 7/01/85
SECTIONS 5, 8, 9, 10 ARE EFFECTIVE 5/9/85

SB 130 INTRODUCED BY HARDING, POFF, HANNAH, REGAN
PROVIDING STANDARD NOTICE PROVISIONS FOR LOCAL
GOVERNMENT EXCEPT CITIES AND TOWNS

1/18 INTRODUCED

In compliance with a written request received February 16, 1985, there is hereby submitted a Fiscal Note for Senate Bill 129 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

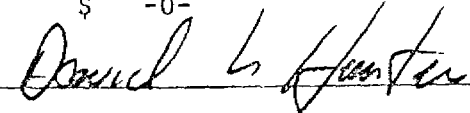
Senate Bill 129 would establish a centralized filing system for security interests covering agricultural products; providing for computer data to be searchable by private computers; providing an increased penalty for defrauding an agricultural creditor; and appropriating funds to establish the system.

ASSUMPTIONS:

1. Survey of county clerk and recorders indicates an estimated 50,000 refilings under Section 7.
2. Survey of county clerk and recorders indicates an estimated 22,000 annual filings.
3. Modifications to existing UCC system on the Department of Administration computer will be sufficient to meet requirements for computerized access system.
4. Agricultural liens are held by financial institutions, savings and loans, credit unions, implement dealers, the state, and others.

FISCAL IMPACT:

	FY 1986		FY 1987	
	Special Revenue	General	Special Revenue	General
	Fund	Fund	Fund	Fund
Revenue-filing fees	\$485,000	\$ -0-	\$110,000	\$ -0-
Personnel	53,400		29,700	
Operating	126,200		79,400	
Equipment	305,000			
Total Cost	\$484,600	\$ -0-	\$109,100	\$ -0-


BUDGET DIRECTOR
Office of Budget and Program Planning

Date: Feb 21, 1985

Request No. FNN 141-85
Form BD-15 page 2

AFFECT ON COUNTIES:

1. Centralized agricultural lien filings will reduce expenditures from counties' general fund by approximately \$110,000 statewide. This estimate is based on data supplied by Montana Association of Clerks and Recorders that processing 1,000 new filings per year requires .50 FTE.
2. Centralized ag lien filings will reduce revenues to counties' general funds by approximately \$86,000 statewide. This estimate is based on 22,000 original filings and continuations, 4,000 certificates and 15,000 miscellaneous filings at the fees currently set by statute (30-9-403, MCA). Increased fees for certificates will partially offset this revenue loss.
3. Adoption will give clerk and recorders equipment that could be used to access other data on the state's central computer, thereby reducing costs to counties of future access.

MINUTES OF THE MEETING
AGRICULTURE, LIVESTOCK AND IRRIGATION
MONTANA STATE SENATE

February 1, 1985

The Agriculture, Livestock and Irrigation Committee meeting was called to order on the above date, in Room 415 of the State Capitol Building, at 1:00 p.m. by Chairman Boylan.

ROLL CALL: Senators Aklestad, Bengtson, Galt, Lybeck, Boylan and Hammond present. Senators Kolstad, Severson, Williams, Conover and Lane arrived shortly after the meeting started.

There being a quorum present, Senator Boylan turned the chair over to Senator Lybeck so that he could present his two bills.

SENATE BILL 129: Senator Boylan, SD 39, explained that the bill establishes a centralized filing system for security interests for agricultural products, providing computer programs for this and establishes a penalty for defrauding an agricultural creditor. The banking industry and others who developed the bill are here to testify, Senator Boylan told the committee. There are quite a few amendments to the bill.

PROPONENTS: Harold Brown, President, First Bank, Fort Benton, read his full testimony, attached as Exhibit #1.

Dennis DeVries, Polson, and members of the Montana Bankers Association, supported Mr. Brown's proposals and gave the committee amendments to the bill. The filing fees would bear the cost and they wanted to make the access easy and free for those who want to search a lien. Filing for all new liens will begin with the Secretary of State's office by July 1985. You would have to refile any liens already out there by July 1986 and the system would be fully up and ready to access by October 1, 1986. He said they have the full support of the member users of the system and asked the committee support. Amendments attached as Exhibit #2.

James Muller, Rudyard, Montana, and President of the Montana Grain Growers Association, read his testimony. Attached as Exhibit #3.

At this time, Mr. Muller presented written testimony from Leanne M. Schraudner, Montana Grain Elevators Association, who was unable to be present at this time. Exhibit #4.

Randy Johnson, Executive Vice President of the Montana Grain Growers Association, read his testimony. Exhibit #5.

Mr. Johnson presented testimony for the Montana Agricultural Business Association, in support of the bill. Exhibit #6.

Senator Gene Thayer, SD 19, Great Falls, told the committee that everyone will benefit from this, from producer to grain elevator company. He would like to see grain excluded from the UCC filing system, but realized it cannot happen. He asked the committee to review this bill as a giant leap forward. He said it is a number one problem being faced by the grain industry clear across the country and it was addressed as a number one problem by the grain and feed dealers the past year. He called it an excellent piece of legislation.

Blake Wordal, Montana Hardware and Implement Association, called it a better way to find the filings. They would like to be able to do it through the county as well.

Elroy Letcher, Montana Council of Cooperatives, said their organization at their annual meeting on January 15th adopted a resolution in support of the centralized filing system in agriculture.

OPPONENTS: Jo Ann Peres, President of the Montana Association of Clerk and Recorders, said they were not taking a stand, but had some suggestions. She was concerned about the loss of records from the court house, and said there were other people involved beside bankers. She had concerns about the cost of the telephone hookup, the procedures of billings and hoped this wouldn't put further burdens on the county. She called attention to page 15, regarding certified copies of each filing being transferred to the Secretary of States office. In 1984, Choteau county had over 4100 active UCC agricultural related filings, and she thought this would be costly. A good number of UCC files are also indicative of a real estate mortgage. She thought this needed to be looked at more clearly. Not all UCC loans are agriculture related, some are real estate related. The assessor uses these records for personal property assessment and taxation and they should have the information available.

Charles Gravely, Montana County Assessors Association, said he was neither proponent or opponent, but had concern with the way the bill was drafted. The county assessors use it for personal property taxation. He asked that the bill be amended to require dual filing both within the county and the county of residence in the Secretary of State's office. The UCC financial statements may be filed in both places. If dual filing was required he felt it would meet objections the Banking Association has to the current laws and also give counties the protection they need and desire. He was concerned with cost to the counties, but with the amendments, the cost would be minimized, and he asked the committee to give serious consideration to dual filing requirements.

Committee questions: Senator Galt asked Senator Boylan how he reacted to the dual requirements. Senator Boylan thought it would be helpful but asked the people who worked on the

bill to comment on this.

Mr. Brown said he would be opposed to dual filings as it would double the cost of filing and they are taking it on the chin now. People who have liens are totally funding this bill and they are not asking for appropriations. If the burden was increased, he thought it would be too much.

Larry Akey, Secretary of States office, said they have looked at centralized ag/lien filings in other states. The success ratio in other states was not good and the reason it failed was because of dual filings. He would encourage the committee not to adopt the dual filings.

Senator Aklestad - Do you need dual filings if you can go to the court house and punch it out? DeVries - The bill provides access at the county court house so you could get it there. Aklestad - Do all the courthouses in the state have the capability of hooking in? DeVries - The bill provides equipment will be installed. Aklestad - Who will pick up the cost? DeVries - The bill provides that everyone would be required to re-file the existing lien. It is estimated there are somewhere between 64,000 and 80,000 liens out there and the re-filing fee would be enough to buy the equipment and start it up.

Senator Aklestad - Do you have the capability with existing terminals to bring in that extra load? Akey - Our office can meet the requirements of the bill and do so in a workable way for everybody concerned. Aklestad - On page 13, where you are going to put us in prison, aren't there existing laws on the books that cover this situation without adding more? Akey - There is an existing fraud statute on the books that would cover agricultural fraud as well and that is what is being amended in the bill. This provides a stiffer penalty.

Senator Kolstad - Regarding the penalty clause, isn't it unusual to have a mandatory sentence for this; and then you have to pay it off when you get out.

Senator Williams - Couldn't the equipment, when installed in each county, be used for something other than this? Akey - the equipment would be usable to access other records. Some of the suggestions were water rights records. Once it is installed, anything on the state computer system that you can get authorization to access, you will be able to access.

Senator Hammond asked if they needed more FTE's to take care of this. Akey - If the bill passes, the Secretary of State will need an extra appropriation, including some additional FTE's. The way the bill is worded with the Ag/lien Committee's proposed amendments, all of that will come out of a special

Agriculture
February 1, 1985
page 4.

revolving fund. There will be no general fund monies involved at all, so they will have to come back in to get authority to expend the fees, but it will be paid for by the agricultural lenders.

Senator Hammond - Would they have to have one more person?
JoAnne Peres - It would cost her county about \$8,000 a year and they would probably have to put one girl back to half time.

Senator Lybeck asked if there should be a fiscal note with the bill. Senator Boylan didn't think so if there wasn't any general fund money. Senator Lybeck thought there was general fund money there.

Senator Aklestad - When the counties purchase equipment, they will buy the equipment first and be reimbursed from the fees?
Akey - The transition schedule would be to encourage the agricultural lending community to get their re-filings accomplished as quickly as possible. The installation of equipment into the clerks office would occur sometime in the summer of 1986. With the cooperation of the lending commission to get their filings accomplished early they should get that within the transition schedule. The Bankers Association, the Independent Bankers Association and the agricultural producers and buyers have all worked on this and he thought they would have that cooperation. Aklestad - Does your bill provide money to the counties to keep the equipment up once it is in place? That language is not currently in the bill. Akey - The clerks would collect a \$2.00 fee for each certificate produced. There is a provision in the bill from the production of certificates of the equipment involved, generating revenue.

The hearing was closed on SB 129.

SB 201: Senator Paul Boylan, SD 39, introduced the bill as a request of the Department of Agriculture to change the law in setting up the Commercial Fertilizer Board.

PROPOSERS: Jim Welsh, Dean of Agriculture and Director of the Experiment Station at MSU, said the items they have requested consideration on changing have to do with the appointment of the advisory committee for the fertilizer check off fund. Testimony attached as Exhibit #7.

Keith Kelly, Department of Agriculture said the Department asked for a bill in cooperation with MSU. What constitutes the manufacture of a product and a manufacturer is the idea of going back to collecting an assessment from a wholesaler. Throughout the bill, on pages 5 and 6, whoever registers the product, that is who the department will collect fees from. Page 7, lines 13, 14, 15, they recommend amendment changes to law. They collect all fees then they break it apart. In

ROLL CALL

AGRICULTURE, LIVESTOCK & IRRIGATION COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date 2-1-85

SENATE
SEAT
#

	NAME	PRESENT	ABSENT	EXCUSED
1	SENATOR GARY AKLESTAD	✓		
27	SENATOR ESTHER BENGSTON	✓		
35	SENATOR JACK GALT	✓		
34	SENATOR H. W. (SWEDE) HAMMOND	✓		
10	SENATOR ALLEN KOLSTAD	✓		
38	SENATOR LEO LANE	✓		
48	SENATOR RAY LYBECK	✓		
31	SENATOR ELMER SEVERSON	✓		
39	SENATOR BOB WILLIAMS	✓		
29	SENATOR MAX CONOVER, V. CHMN.	✓		
50	SENATOR PAUL BOYLAN, CHAIRMAN	✓		

Each day attach to minutes.

DATE: 2-1-85

COMMITTEE ON AGRICULTURE

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Mike Cronin	MT Bankers Assoc	SB129	✓	
Harold Brown	MT Bankers Assoc	SB129	X	
James Muller	MT Grain Elev. Assoc.	SB129	✓	
Dennis DuRice	MT Independent Bankers	SB129	✓	
Les Graham	MT Dept. of Livestock	SB129		
Harold Ude	CENEX	SB129		
Deanne Kinn	7th Ann. Classroom Records	SB129		
Gary Goodroad	Fertilizer Industry	201	✓	
James Welsh	MSU	201	✓	
HARRY AICEY	SECRETARY OF STATE	129	✓	
Gene Bantist	Clarks Rec. & Photo Co.	129		
John T. Toph	My Self & MMI	129		
Ray Brown	MT Dept of Agr	201	✓	
Randy Johnson	MONTANA GRAIN GROWERS ASSN	129	✓	
KEITH KELLY	MT DEPT OF AGRIC	201	✓	
Paula Labinus	WIFE	129		
Donna Donnelly	Mont Assoc of Counties	SB129		
ELROY LETCHER	MT COUNCIL OF COOPERATIVES	SB129	✓	
ELROY LETCHER	MT COUNCIL OF COOPERATIVES	SB201	✓	
FRANK E STARK	Security State Bank	SB129	✓	

(Please leave prepared statement with Secretary)

Feb. 1, 1985
Exhibit #1

TESTIMONY IN FAVOR OF

SB-129

Dear Mr. Chairman and members of the committee:

Senate Bill 129 is a bill that changes the location where security interests are perfected. It provides for central filing of ag liens in a single location, and adds immediate and constant access by computers used by individuals and companies, while maintaining strict security measures.

Having a single location for the filing of liens, the perfection of security interests, and conducting lien searches is immensely preferable to the present lien filing and searching system. At present, about 60,000 liens are filed with the clerk and recorder's office in each county where the debtor resides, plus in the counties where the crops are growing or the equipment is used. Thus the present system requires a creditor to file in several places in many instances, but, what is worse, it requires excessive diligence in conducting a lien search - one must contact every possible county where a lien may be placed on a creditor.

SB-129 would simplify the filing and search process by placing all ag liens with the secretary of state, who has the capability of operating a centralized ag lien system. Regarding computer access: SB-129 puts all ag liens on the state's main frame computer. The state would set up an access system that would allow the ag lien data to be accessed by private computer terminals in grain companies, banks, PCAs, federal offices such as the ASCS and even by farmers.

The lien data are public information and anyone may have access to it now. Private computer access would be restricted to those whose computer can "talk" with the state's computer and who have completed an application process through the secretary of state's office.

The state computer experts can design a security program to protect the lien data from tampering, even so, the bill has a criminal penalty for any attempt to tamper with the data or otherwise impair its integrity, as well as, for an attempt to defraud a creditor.

The computer system would be available for access virtually 24-hours a day, seven days a week. Anyone conducting a lien search by computer could receive a certified copy transmitted from the state computer to the individual's computer within minutes.

Creditors and grain buyers would benefit by the system by being able to search for liens in a matter of minutes through the computer, or, without computer, within two to four mail days. Many searches today take as long as seven work days to achieve any sense of completeness because of the number of locations which must be contacted. This benefit is achieved by the single filing location and by the potential for computer access. Grain transactions frequently occur on weekends, thus, SB-129 would give them weekend access via computer.

A loan customer and grain seller can expedite their transactions and be on with their business because of quicker lien searches.

The bill requires that all lien holders refile all ag liens by July 1, 1986, or jeopardize their perfections and priority placements. Each lien holder would also file a form with the counties that would indicate to anyone doing a lien search at the county level that the filing has been transferred to the secretary of state's office.

The lien holder would pay a modest fee for each refiling, continuation, etc. The fee would be set by the secretary of state and cover the cost of the refiling effort in his office, plus an amount that would go to a special revolving fund and those monies would pay for the startup costs for the system. The secretary of state would set all fees by administrative rule.

The bill was designed by the cooperative efforts of the Montana Bankers Association, Montana Independent Bankers Association, United Grain Company, General Mills, Peavey Company, Cargill Company, Farmers Home Administration, ASCS, PCA, Secretary of State, Montana Grain Growers Association, Montana Stockgrowers Association, Montana Wool Growers Association, and Montana Elevators Association.

We sincerely hope you will support this bill and give it your "do pass" recommendation with the attached amendments that we propose to you today.

AMENDMENTS TO SB 129

Proposed by Centralized Ag Lien Filing Committee

1. Page 1, line 9
Strike: APPROPRIATING FUNDS TO ESTABLISH THE SYSTEM;
2. Page 4, line 22
Strike: printout, \$10
-Insert: certificate, \$2
3. Page 7, line 3
Following: subsections (6)
Insert: and (10)
4. Page 11, line 7
Following: subsection (9).
Insert: The secretary of state shall deposit all fees he collects in an account within the state special revenue fund created for paying the expenses of establishing and operating the computerized access system.
5. Page 11
Following line 23
Insert: (10) When a financing or continuation statement covers property described in subsection (8), the effectiveness of such filed financing statement shall lapse on the first day of July, 1986, unless prior to such date there is filed within the office of the secretary of state a certified copy of the financing statement on file with the county clerk and all related documents as provided in [Section 8].
6. Page 14, line 24
Following: centrally filed
Insert: as provided in [Section 8]
7. Page 14
Following line 24
Insert: NEW SECTION. Section 8. Implementation schedule - refiling of existing financing statements.
(1) All financing statements covering property described in 30-5-403 (8) filed on and after July 1, 1985 must be filed in the office of the secretary of state.
(2) Any financing statement covering property described in 30-5-403(8) and filed and of record with a county clerk and recorder prior to July 1, 1985 must be refiled with the office of the secretary of state prior to July 1, 1986, or the financing statement filed and of record with the county clerk and recorder shall lapse as provided in 30-9-403(10).
(3) The refiling of a financing statement in the office of the secretary of state and covering property described in 30-9-403(8) is accomplished by:

(a) presenting a certified copy of such financing statement as filed and of record with the county clerk and recorder together with certified copies of all related documents, including all continuances, releases, assignments or amendments;

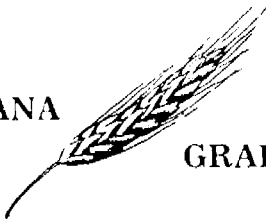
(b) filing with the county clerk and recorder a notice that such financing statement has been filed in the office of the secretary of state identifying the records of the county clerk to which such financing statements relates; and

(c) tendering the filing fee.

(4) The secretary of state shall by administrative rule establish fees for filing and indexing documents as required by this section. The fees must be commensurate with the costs of processing the documents and establishing the computerized access system described in 30-9-403(9). The secretary of state shall deposit all fees he collects in an account within the state special revenue fund created for paying the expenses of establishing and operating the computerized access system.

8. Strike page 14, line 25 through page 15, line 19.
Renumber subsequent sections.
9. Page 15, line 25
Strike: July
Insert: October
10. Page 16, line 1
Strike: 11
Insert: 10

MONTANA



GRAIN ELEVATOR ASSOCIATION

February 1, 1985

The annual meeting of the Montana Grain Elevator Association was held in Great Falls this past week and by resolution it was agreed to support Senate Bill #127, as it is now written.

I am James Muller of Rudyard, Montana, president of the Montana Grain Elevator Association, and I would like to submit this testimony on their behalf in support of Senate Bill #127, for a centralized farm crop lien system for the state of Montana.

The present system of filing liens with the county clerk and recorder is not adequate. With today's multiple and expanded farming and marketing operations, grain is often sold in counties other than where it is grown, and producers often live in counties other than where they market their grain.

At the present time there is no acceptable or positive manner in which a buyer of grain products can research a lien. The county lists are varied, cumbersome, often incomplete and rapidly outdated. It is very difficult, if not impossible, to keep up to date with all the counties in which one elevator's trade area may lie.

Every major and many of the smaller elevator companies in the state have had to pay twice for the same lot of grain because of double jeopardy. These losses to a large company are serious and to a small company can be devastating.

In light of the depressed farm economy throughout the state, we would urge the passing of an effective centralized lien system, which would be beneficial to both agri-business and producer.

TESTIMONY OF MONTANA GRAIN ELEVATORS ASSOCIATION

IN SUPPORT OF SENATE BILL 129

The Montana Grain Elevators Association has long felt the need for a centralized filing system. On numerous occasions, members of our association have checked the clerk and recorders' office for security interest in the grain we're buying only to find after the purchase that there was a security interest on file in some distant clerk and recorders' office. Paying for the same product twice is a financial hardship particularly to those small independent elevators.

The Grain Elevator's Association has been involved with many lending institutions and other concerned organizations for months in trying to develop a centralized lien system.

The Grain Elevators Association support Senate Bill 129 as it will address and eliminate the problems we have outlined. The refiling fee and new filing fees should more than pay for the implementation of this system, and the benefits to business and the producer is immeasurable.

Leanne M. Schraudner
Lobbyist
Montana Grain Elevators Association



Montana
Grain
Growers
Association

P.O. Box 1165 • 750 6th Street S.W. • Great Falls, Montana 59403 • 406/761-4596

SPL4

TESTIMONY BEFORE THE SENATE AG COMMITTEE ON SB 129

FEBRUARY 1, 1985

Mr. Chairman, members of the committee:

For the record, my name is Randy Johnson. I am the Executive Vice President of the Montana Grain Growers Association. I would like to testify in support of SB-129, "AN ACT TO ESTABLISH A CENTRALIZED LIEN FILING SYSTEM."

Agriculture is a highly capitalized industry. Large sums of money change hands several times in the production of food and fiber. In order for this highly leveraged system to survive, each individual or business involved must be able to keep track of this complex system of financing.

The current system of filing crop liens in county courthouses is cumbersome and inadequate, leaving elevators and commodity dealers unsure as to the title of the grain they are purchasing. Producers market grain differently today than when our current lien filing system was set up. The first point of sale is often many miles away from the county in which the grain was produced. The grain buyer cannot be certain that he has checked with the appropriate courthouse, nor can the lien holder be assured he has notified all potential buyers of his lien.

In the interest of streamlining the lien filing system, and making it more compatible with today's grain trading system, the Montana Grain Growers Association urges you to support SB 129.

MARK RASMUSSEN
President
Hoodland

ROSS FITZGERALD
Vice President
Power

HOWARD HAMMOND
Secretary
Malta

GREGG HOLT
Treasurer
Great Falls

TESTIMONY OF MONTANA AGRICULTURAL BUSINESS ASSOCIATION
IN SUPPORT OF SENATE BILL 129

The Montana Agricultural Business Association supports
Senate Bill 129.

Under the present law before purchasing an agricultural commodity to fully insure that there are no security interests in an agricultural product the prudent businessman should search the records of all 56 county clerk and recorder's offices. This is neither practical nor economical given the time and money it would take to complete such a search. It can not be assumed that the agricultural product sold to the dealer in Lewis & Clark County is a product grown in Lewis and Clark County and that any lien will be on file in Lewis & Clark County. In fact if a purchaser checks Lewis & Clark for a lien and finds none and proceeds to purchase the crop--he may find a short time later that a lien was recorded in Park County--the result-- he must pay twice for the same product--even though he made reasonable efforts to insure that there were no others holding security interests in that crop.

A centralized lien law would eliminate this problem. The use of a computer is the only logical solution.

The fees generated by refiling and new filings should more than pay for any costs of this program. This bill is good for the purchaser, protects those holding security interests and helps the agricultural producer by enabling expediant approval and payment for his crops after an instantaneous lien search.

Leanne M. Schraudner
Lobbyist
Montana Agricultural Business Association

is whether it is the right fund.

John MacMaster said he had checked with Judy Ripengale, head of the LFA, and she said that is the right fund, the State special revenue fund.

Kelly - It allows them to put it in there and, if it didn't get expended in the fiscal year, it stayed suspended in the fund and the intent was it was to be used in the program. He would like to get it resolved and cleaned up.

Senator Bengtson moved SB 378 DO PASS. Motion carried.

DISPOSITION OF SB 129: Senator Galt moved the Statement of Intent for SB 129 BE ADOPTED. Motion carried.

Senator Boylan asked Larry Akey, Chief Deputy, Secretary of State's Office, to explain the amendments. Mr. Akey told the committee the amendments adopted Friday shift the appropriation from the general fund, as originally worded in the bill, to the State special revenue fund, similar to the State special revenue fund just passed out on SB 378. All the money collected for filing fees will be used to pay the costs of establishing and operating the system and there won't be any other monies used for the purpose of that system. The people who want this bill, the bankers, grain growers, stockgrowers, etc., will pay the cost of establishing that system. The bulk of the amendments the committee passed out on Friday set up that shift from a general fund requirement to a revolving fund requirement.

Senator Aklestad - Who has authority to raise the fees up or down? Akey - The Secretary of State would set the fees but with legislative oversight every 2 years when it came through the budget process.

Senator Lybeck - In the rules of the Department, could they expand or if some programs are dropped off, could they cut the cost of this? Is that in the rule making? This is in regard to the main terminal in Helena. Akey - Because the system is set up based on fees, if the Department doesn't get the use they are anticipating, they won't get the fees generated so they will have to scale back the system. Yes, the rules and the fee structure will be only on what business will bear. If the banks and grain operators decide down the road they don't like the system and stop using it, it will essentially dry up and blow away. The commitment is there on the part of the bankers and grain terminal operators to see this system go. It solves a lot of problems for them so he feels they will see the volume they are anticipating.

Senator Galt moved SB 129 AS AMENDED DO PASS.

Senator Bengtson asked how this started with the Secretary

of State's office" Akey - The Ag/Lien Committee of the Montana Bankers' Association came to them and asked if they would take responsibility at the State level because all other UCC filings are with the Secretary of State's office and could they take on agricultural UCC's? This is not a bill out of the Secretary of State's office. It is a bill of the Ag/Lien Committee. The Secretary of State's office is there as a technical resource because other UCC's are filed with their office.

Senator Williams asked the bankers to comment on the bill as amended. Mike Cronnin, Montana BANKers Association, said the amendments presented and passed last Friday do meet with their approval and they had a considerable influence in their drafting.

QUESTION ON SB 129 WAS CALLED FOR. SENATE BILL 129 PASSED.

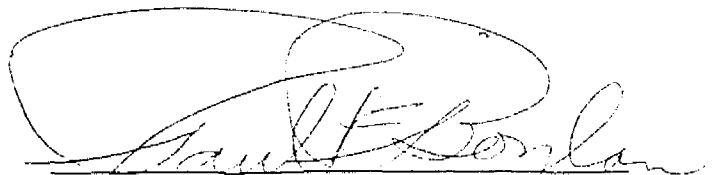
SB 448: Senator Lybeck told the committee about his bill, SB 448. It pertains to licensing, inspecting and requiring liability insurance for horse rental businesses. The bill gives authority to each individual county, if they so desire, for setting up guidelines for licensing, inspection and the requirement for liability insurance. It was scheduled to go to Local Government but Chairman Fuller said their schedule is full. He asked if this committee could hear the bill.

Senator Severson asked whether packers and outfitters had the same kind of insurance and regulations. Senator Lybeck answered that they are all regulated under the Department of Fish Wildlife and Parks but these situations fall into a different category.

Senator Boylan will get SB 448 re-referred to Agriculture Committee.

We will meet at 1:00 on Friday, February 22nd.

There being no further business, the meeting adjourned.



PAUL F. BOYLAN, Chairman

ROLL CALL

AGRICULTURE, LIVESTOCK & IRRIGATION COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date 2/20/85

SENATE
SEAT
#

	NAME	PRESENT	ABSENT	EXCUSED
1	SENATOR GARY AKLESTAD	✓		
27	SENATOR ESTHER BENGSTON	✓		
35	SENATOR JACK GALT	✓		
34	SENATOR H. W. (SWEDE) HAMMOND	/		
10	SENATOR ALLEN KOLSTAD	/		
38	SENATOR LEO LANE	/		
48	SENATOR RAY LYBECK	/		
31	SENATOR ELMER SEVERSON	/		
39	SENATOR BOB WILLIAMS	/		
29	SENATOR MAX CONOVER, V. CHMN.	/		
50	SENATOR PAUL BOYLAN, CHAIRMAN	✓		

Each day attach to minutes.

June 20, 1982

VISITORS' REGISTER

[illegible]

(Please leave prepared statement with Secretary)

February 20

85

19.....

MR. PRESIDENT

We, your committee on **AGRICULTURE, LIVESTOCK & IRRIGATION**

having had under consideration..... **SENATE BILL** No. **129**

first reading copy (white)
color

CENTRALIZED FILING SYSTEM FOR SECURITY INTERESTS COVERING AGRICULTURAL GOODS

Respectfully report as follows: That..... **SENATE BILL** No. **129**

BE AMENDED AS FOLLOWS:

1. Title, lines 7 through 9.
Following: "COMPETITIVE;" on line 7
Strike: "PROVIDING" on line 7 through "SYSTEM;" on line 9
2. Title, line 10.
Following: "30-9-403,"
Insert: "AND"
3. Title, line 11.
Following: line 10
Strike: "AND 45-6-315,"
4. Page 2, line 5.
Following: "section"
Strike: "7"
Insert: "5"

~~XXXXXX~~

~~XXXXXXXXXX~~

(page 1 of 4 pages)

(Continued)

STATEMENT OF INTENT ADOPTED
AND ATTACHED

Chairman.

4. Page 4, line 22.
Following: "obtaining a"
Strike: "printout"
Insert: "certificate"
5. Page 7, line 3.
Following: "provided in"
Strike: "subsection"
Insert: "subsections"
Following: "(6)"
Insert: "and (10)"
6. Page 11, line 7.
Following: "subsection (9)."
Insert: "The secretary of state shall deposit all fees he collects in the state treasury and the fee money is allocated to the secretary of state to pay the expenses of establishing and operating the computerized access system. The expenses to be paid by the secretary of state shall include the costs of maintaining the terminals and printout capability provided for in [Section 6(2)] and the costs directly attributable to any technology used to link these terminals with the computerized access system described in subsection (9)."
7. Page 11, line 23.
Following: "statement."
Insert: "The secretary of state shall maintain adequate errors and omissions liability coverage to protect against input errors causing loss to a secured party.
(10) When a financing or continuation statement covers property described in subsection (8), its effectiveness lapses on July 1, 1986, unless prior to that date there is filed in the office of the secretary of state a certified copy of the statement on file with the county clerk and all related documents as provided in [Section 7]."
8. Page 12, line 24.
Following: "if a"
Strike: "printout"
Insert: "certificate"

10. Page 13, line 1.
Following: "charged."
Insert: "If a certificate is made on a terminal provided for in [Section 5(2)], only the fee provided for in section 7-4-3431(1)(p) shall be charged."
11. Page 13, lines 2 through 23.
Strike: Section 5 in its entirety
Re-number: Subsequent section
12. Page 14, lines 16 through 18.
Following: "30-9-407." on line 16
Strike: remainder of line 16 through line 18
Insert: "The secretary of state shall provide for the installation of the technology and any equipment required to link the terminals in the offices of each county clerk and recorder with the computerized access system provided for in section 30-9-403(2)."
13. Page 14, line 21.
Following: "recorder"
Strike: "on July 1, 1985"
Insert: "prior to July 1, 1985"
14. Page 14, line 24.
Following: "centrally filed"
Insert: "as provided in [Section 7]"
15. Page 14, line 25 through page 15, line 19.
Following: line 24 on page 14
Strike: Sections 8 and 9 in their entirety.
Insert:

NEW SECTION. Section 7. Implementation schedule - re-filing of existing financing statements. (1) A financing or continuation statement covering property described in 30-9-403(2) filed after June 30, 1985, must be filed in the office of the secretary of state.

(2) A financing or continuation statement that covers property described in 30-9-403(2) and is filed and of record with a county clerk and recorder lapses as provided in 30-9-403 (10).

(3) The re-filing of a financing or continuation statement in the office of the secretary of state that covers property described in 30-9-403(2) is accomplished by:

(a) presenting a certified copy of the statement as filed and of record with the county clerk and recorder together with certified copies of all related documents, including all continuances, releases, assignments, or amendments;

(b) filing with the county clerk and recorder a notice that the statement and related documents have been filed in the office of the secretary of state; and

(c) tendering the filing fee.

(4) The secretary of state shall by administrative rule establish fees for filing and indexing documents as required by this section. The fees must be commensurate with the costs of processing the documents and establishing the computerized access system described in 39-9-403(9). The secretary of state shall deposit all fees he collects in the state treasury and the fee money is allocated to the secretary of state to pay the expenses of establishing and operating the computerized access system. The costs of establishing the computerized access system shall include the costs of acquisition and installation of the terminals, printout capability, and related technology described in [Section 6(2)]."

Repealer: Subsequent sections.

16. Page 15, line 21.
Following "Section"
Strike: "7"
Insert: "6"
17. Page 15, line 23.
Following: "section"
Strike: "7"
Insert: "4"
18. Page 15, line 25.
Following: "effective"
Strike: "July"
Insert: "October"
19. Page 16, line 1.
Following: "through"
Strike: "11"
Insert: "9"

and, as amended,
DO PASS

STATEMENT OF INTENT ADOPTED AND ATTACHED

(page 4 of 4 pages)

SENATOR PAUL F. BOYLAN, Chairman

WE, YOUR COMMITTEE ON AGRICULTURE, LIVESTOCK & IRRIGATION HAVING HAD UNDER CONSIDERATION SENATE BILL 129, ATTACH THE FOLLOWING STATEMENT OF INTENT:

STATEMENT OF INTENT

SENATE BILL 129

A statement of intent is required for this bill because it grants rulemaking authority to the secretary of state to set fees and prescribe the format for the centralized filing system. The legislature intends that the fee for filing a financing statement under 30-9-403(8) be set at an amount necessary to cover all the costs of the system, including the operation of the computer, maintenance of equipment installed in the counties and errors and omissions coverage made necessary by implementation of the system. The fee for a computer printout set pursuant to 30-9-407 should recover the cost of the computer time, supplies and postage. The fee for filing documents set pursuant to Section 6 should recover all costs of establishing the system, including the cost of installing the computer equipment in the counties required by Section 6. The rules governing the format for the system should provide for easy access through telephone interconnect. The data on the system should be essentially that contained on the financing statement, along with such other matters as the secretary of state considers necessary.

SENATE BILL 129: Hearing commenced on Senate Bill 129. Senator Paul Boylan, District #39, sponsor of the bill, stated this establishes a centralized filing system for security interest covering agricultural products and allowing computer data to be searched by private computers. Senator Boylan explained this bill has nothing to do with livestock.

Proponent Dennis DeVries, representing the Montana Bankers Association, supplied written testimony which is attached hereto as Exhibit 1.

Proponent Mike Cronin, Administrative Assistant, Montana Bankers Association, supplied written testimony which is attached hereto as Exhibit 2.

Proponent Kerry Schaefer, representing the Montana Grain Elevator Association, supplied written testimony which is attached hereto as Exhibit 3.

Proponent Randy Johnson, Executive Vice-President, Montana Grain Growers Association, supplied written testimony which is attached hereto as Exhibit 4.

Proponent Terry Murphy, President, Montana Farmers Union, offered his support of the bill.

Proponent Elroy Lecher, Executive Secretary, Montana Council of Cooperatives, explained their council adopted a resolution on January 15, 1985 which is attached hereto as Exhibit 5.

Proponents Bob Gill, representing the PCA's, Jim Drummond, representing 1st Security Bank in Bozeman and the Montana Independent Bankers and Larry Akey, Chief Deputy to the Secretary State, all offered their support of the bill.

Opponent Gary Peres, of Choteau County, stated by taking the filing of all agricultural liens to the secretary of states office will accomplish nothing. A \$12,000 per year loss will be suffered by the counties. Records have been kept at the county level since Montana became a state. The filing fees will double or triple and the secretary of state will set the cost to make this work. There are 4,100 agriculture related liens in Choteau County which must be released for a \$3 fee and then rerecorded with the secretary of state for another fee. This cost would exceed \$40,000 to release the liens from Choteau County alone. The present system is working and we should leave

the responsibility to the clerk and recorder, added Mr. Peres.

Opponent Joanne Peres, President, Montana Association of Clerk and Recorders, explained that after the senate amendments were placed on the bill, they said they could live with the bill, but the association disagreed. The association feels that more costs are necessary than what it shown, more time will be needed to spend on such a vast system and a loss of records could occur. It will be necessary for two places to be searched when conducting a title search and these cost of searches were not included in the fiscal note. The cost for this system will be returned back to the agriculturists. Senate Bill 129 could also cause a loss of employees at the county level.

Charles Gravely, representing the Montana County Assessor's Association, explained that he was present for informational purposes and the association remains neutral on this issue. If Senate Bill 129 does pass, the county assessor will miss some personal property that should be on the tax rolls and subject to tax billing. The filing system should be a dual one and filed in both the county and with the secretary of state.

Opponent Representative Bob Ellerd, District #77, Associate Manager, International Livestock Markets Association, stated the bill does effect livestock. There is no way of identifying sheep and hogs because they are not branded. This gives the secretary of state an open hand to charge whatever is necessary to make this system work. The farmer and rancher will pay for everything. The small provider can not afford to purchase a computer and the state should purchase this equipment for each individual if they are going to purchase for each county. An interim period of approximately 5 days is apparent before the filing of a lien. There are many unanswered questions that arise. There are many ways to get away with selling mortgaged livestock and this will not solve all of the problems. The agricultural business is hurting and this is throwing the burden on the industry. Senate Bill 129 will prove to be more beneficial to the lender than the buyer.

In closing, Senator Boylan, stated the bill does not cover livestock. The agricultural industry is in trouble and they need all the credit they can get. To protect the lending

institutions, fast and accurate service is needed and this will help to provide that. People are getting afraid of financing and the buyer will pay, but this is one of the costs of doing business.

Representative Schultz asked Larry Akey what the present system is for filing. Mr. Akey explained that it is the same as the filing for any commercial lien. A UCC must be filled out and sent in, it is then immediately recorded and under a central computer system both the borrower and lender will be protected.

Representative Brandewie asked Gary Peres if the raise in filing fees from \$3 to \$5 would have the counties fall short. Mr. Peres stated the counties get a \$3 fee for performing a search and a filing fee will then be paid to the secretary of state.

Representative Wallin asked Larry Akey if bank loans that cover cattle will be filed in the county and the secretary of states office. Mr. Akey stated there will be two filings, one with the Department of Livestock and the other with the secretary of state.

Representative Ellerd asked Larry Akey who will be responsible if a power shortage occurs or a breakdown in the equipment occurs. Mr. Akey explained that should there be a power outage in Helena, the system will not go down.

Representative Ellerd asked Larry Akey if a conflict will arise with federal law as they require a consignment to be paid within one working day. Mr. Akey stated there will not be a conflict, information will be put on the system in one day. There is not security interest until the lien appears on the secretary of states system and during any interim period, the lender is at risk.

Representative Simon asked Larry Akey if all who currently have a lien, must refile and who is responsible for notifying those that liens must be refiled. Mr. Akey stated all lienholders must refile and the secretary of states office will notify those that must refile.

Representative Schultz asked Larry Akey how this will affect the lien aspect of unbranded livestock. Mr. Akey stated they will continue to file with the Board of Livestock.

Representative Glaser asked Larry Akey how the cost will

be assessed to tie into the system. Mr. Akey explained that it will be part of the filing fee and that most currently have their own equipment. Once the equipment is purchased there will be no additional cost.

There being no further discussion by proponents or opponents, all were excused by the chairman and the hearing on Senate Bill 129 was closed.

SENATE BILL 333: Hearing commenced on Senate Bill 333. Senator Chris Christiaens, District #17, sponsor of the bill, stated this allows a creditor or secured party to record a lien or security interest and to transfer title if the owner has not done so within 20 days after the purchase of a vehicle.

Proponent John Cadby, representing the Montana Bankers Association, stated this will help the law enforcement. Change of ownership will be recorded and bank liens will be perfected.

Proponent Larry Majerus, Administrator, Motor Vehicle Division, Department of Justice, offered his support of the bill.

Representative Wallin asked Senator Christiaens who pays after the 25 days. Senator Christiaens explained that the creditor or secured party must pay the fees which will be held by the county treasurer until the fees are paid, the secured party will then be reimbursed.

There being no further discussion by proponents and no opponents present, all were excused by the chairman and the hearing on Senate Bill 333 was closed.

SENATE BILL 363: Hearing commenced on Senate Bill 363. Senator Ed Smith, District #10, sponsor of the bill, stated this includes cancelled distribution contracts within the repurchase of inventory requirements of cancelled dealership contracts and defines terms relevant to the law. Problems have occurred with Teneco and their buyouts.

Proponent Jerry Young, representing Bran Industries in Billings offered his support and the support of Hugh Moore of Great Falls.

Proponent Dick Milligan, an employee of Billings Implement Company in Laurel, stated he is aware of cases where the

Proponent John Ortwein, representing the Montana Catholic Conference, supplied written testimony which is attached hereto as Exhibit 12.

Proponent Phil Campbell, representing the Montana Educational Association, offered his support on behalf of the teachers and other school employees.

Proponent Dave Wanzenried, Commissioner, Department of Labor and Industry, offered his support of the bill and distributed to committee members Exhibit 13 which is attached hereto.

George Allen, representing the Montana Retail Association, was not present, but wished to go on record as a proponent.

There being no further discussion by proponents and no opponents present, all were excused by the chairman and the hearing on Senate Bill 362 was closed.

ACTION ON SENATE BILL 206: Representative Kitselman moved DO PASS on Senate Bill 206. Second was received, Senate Bill 206 will BE CONCURRED IN by unanimous vote.

ACTION ON SENATE BILL 362: Representative Kitselman moved DO PASS on Senate Bill 362. Second was received, Senate Bill 362 will BE CONCURRED IN by unanimous vote.

ACTION ON SENATE BILL 129: Representative Driscoll suggested Senate Bill 129 be placed in a sub-committee. Chairman Pavlovich appointed Representative Howe to chair the committee with Representatives Keller, Ellerd and Hart serving.

ACTION ON SENATE BILL 214: Representative Kitselman moved DO PASS on Senate Bill 214 and moved the Statement of Intent. The statement of intent did pass by unanimous vote. Representative Bachini offered a substitute motion that Senate Bill 214 DO NOT PASS and explained in his area there are not any dentists who favor this bill. Representative Kitselman stated this bill is permissive and is for administering a local anesthesia only. The hygienist must pass an examination and if the patient does not want the hygienist to administer this, they may ask for the dentist. Question being called, a roll call vote resulted in 5 members voting yes and 15 members voting no. The motion did fail. Representative Kitselmans DO PASS motion received a vote of 15 members voting yes and 5 members voting no. Senate Bill 214 will BE CONCURRED IN.

DAILY ROLL CALL
BUSINESS AND LABOR COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date March 20, 1985

NAME	PRESENT	ABSENT	EXCUSED
Bob Pavlovich	✓		
Les Kitselman	✓		
Bob Bachini	✓		
Ray Brandewie	✓		
Jan Brown	✓		
Jerry Driscoll	✓		
Robert Ellerd	✓		
William Glaser	✓		
Stella Jean Hansen	✓		
Marjorie Hart	✓		
Ramona Howe	✓		
Tom Jones	✓		
Mike Kadas	✓		
Vernon Keller	✓		
Lloyd McCormick	✓		
Jerry Nisbet			✓
James Schultz	✓		
Bruce Simon	✓		
Fred Thomas	✓		
Norm Wallin	✓		

Mr. Chairman and members of the committee. SB 129 creates a centralized agricultural lien filing system at the secretary of state's office. This is a good bill because it makes filing of UCC liens on ag products of all types including equipment, livestock and grain, but not on a real property, easier to file and makes lien searches easier as well. It will make it easier because lien filers and searchers would have only one place to look instead of in several counties.

SB 129 is a good bill because it will benefit individual ranchers and farmers implement dealers, financial institutions, grain growers, grain dealers, grain elevators, and others involved in agri-business.

Briefly the bill does three things: 1) it moves all ag lien filings from the county level to a central system so that filers and searchers have only one place to look instead of several, 2) it puts all this public information data on a central computer that can be accessed by private computers in the offices of attorneys, financial institutions, grain dealers, grain elevators and others, and 3) it also provides for computer equipment for each county clerk and recorder's office to allow individuals to do the same work at the clerk and recorder's office by computer that they previously did by hand.

The bill does not have an appropriation, the county computers and the set up costs in the secretary of state's office is paid out of a special revolving fund which gets its money by requiring all lien holders of record to refile their liens and pay a refiling fee of about \$7.50 per lien. This refiling does not alter the priority or maturity dates of these liens.

This bill has the backing of virtually every industry involved in agriculture and we urge that you would give it a "do pass" recommendation.

TESTIMONY FOR SB 129

By Mike Cronin

Mr. Chairman and members of the committee. My name is Mike Cronin, I'm the administrative assistant for the Montana Bankers Association. The MBA is one of many groups who helped write and sponsor SB 129, and on behalf of the MBA we urge you to give the bill a "do pass" recommendation.

I wish to make two points today, very briefly: 1) SB 129 does not affect who can file or what filings are made, nor does it affect the priority or maturity dates of those filings. It only changes the place where ag liens are filed and searched. 2) It is funded by user fees and does not require an appropriation from the general fund. Lien holders will pay a refiling fee to set the system up. Fees for new filings will maintain the system.

Again, the MBA requests a "do Pass" recommendation.

Thank you.

Mr. Chairman, Members of the Committee, my name is Kerry Schaefer and I am here to testify on behalf of the Montana Grain Elevator Association. Our association is comprised of grain companies throughout the State of Montana both large and small, public and private and we are testifying as proponents for Senate Bill 129. Throughout the years we have encountered great difficulty researching agricultural leins; in many cases we have found that leins are recorded improperly, in the wrong county or possibly not recorded at all. Each county has a different method for researching and dispensing leins, with many counties refusing to divulge lein records over the phone or prior to receiving financial compensation and in all cases no counties are responsible for errors. S.B. 129 strives to centralize lein filing so we will have one central agency to search that is responsible for its records and required to provide timely service.

In recent years unit train facilities have broadened marketing areas across many county lines and in light of the current agricultural environment it is imperative that we pass this bill. At anytime when we issue payment to a producer without properly protecting the lender we find ourselves in court where the cost of this problem escalates dramatically. S.B. 129 will alleviate our concerns with leins and will protect the lender before the improper payment occurs. We feel this is a very fair bill and one that is long overdue; we encourage your do-pass recommendation.



Exhibit 4
3/20/85
SB129

Submitted by: Randy
Johnson

P.O. Box 1165 • 750 6th Street S.W. • Great Falls, Montana 59403 • 406/761-4596

TESTIMONY BEFORE THE HOUSE BUSINESS AND LABOR COMMITTEE ON SB 129

MARCH 20, 1985

Mr. Chairman, Members of the Committee:

For the record, my name is Randy Johnson. I am the Executive Vice President of the Montana Grain Growers Association. I would like to testify in support of SB-129, "AN ACT TO ESTABLISH A CENTRALIZED LIEN FILING SYSTEM."

Agriculture is a highly capitalized industry. Large sums of money change hands several times in the production of food and fiber. In order for this highly leveraged system to survive, each individual or business involved must be able to keep track of this complex system of financing.

The current system of filing crop liens in county courthouses is cumbersome and inadequate, leaving elevators and commodity dealers unsure as to the title of the grain they are purchasing. Producers market grain differently today than when our current lien filing system was set up. The first point of sale is often many miles away from the county in which the grain was produced. The grain buyer cannot be certain that he has checked with the appropriate courthouse, nor can the lien holder be assured he has notified all potential buyers of his lien.

In the interest of streamlining the lien filing system, and making it more compatible with today's grain trading system, the Montana Grain Growers Association urges you to support SB 129.

We reaffirm our belief that the benefits derived from investments of the Submitted by:
people's money in multi-purpose resource developments should belong to the Elroy
people and to this end we strongly support the anti-monopoly or preference Lecher
clause and urge Congress and administrative agencies to adhere to the purpose of
the laws.

Annual Resolution 85-6 "Central Filing of Agricultural Liens"

Whereas, Agricultural production is now a credit intensive industry, and
Whereas, Markets for agricultural products are now longer located next door to
the producer, and in many cases are not even located within the
county of the producer, and
Whereas, Those acting as creditor to the agricultural producer are entitled
to the protections provided in existing law, and
Whereas, Current electronic technology makes it possible to centralize the
system of filing of agricultural liens,
Now Therefore Be It Resolved, the Montana Council of Cooperatives support
legislation to provide for the central filing of agricultural liens with the
Secretary of States Office, so long as access is available to all providing credit
to agricultural producers.

Annual Resolution 85-7 "Imputed Interest"

Whereas, Current Tax Code provides for minimum interest charges on sales
via Contracts for Deed, and
Whereas, This method of sales provides a means for transfer of ownership of
agricultural land, within families, and
Whereas, To set a minimum interest rate that must be charged on sales of this
time removes the opportunity for one generation to assist another in
making entry into production agriculture, and
Whereas, To set a minimum rate of interest in the Tax Codes increases the
cost of credit to an already burdened industry "agriculture".
Now Therefore Be It Resolved, The Montana Council of Cooperatives oppose the
implementation of those sections of the Tax Code dealing with "Imputed Interest"
and,
Be It Further Resolved, The Montana Council of Cooperatives support Senator
John Meisner in his efforts to repeal those sections of the Tax Code dealing with
"Imputed Interest".

Preserve the present REA loan guarantee program in its present form, including continued access to the Federal Financing Bank for the funding of these loans; and

Enable the refinancing of loan guarantees and CBOs when interest rates drop at least one percentage point.

We strongly urge immediate passage by the U.S. Senate of this critically important legislation and that it be signed into law by the President.

Annual Resolution 85-4 "Rural Telecommunications Service"

Given the recent deregulation of the telephone industry and the efforts of the federal government to revise domestic telecommunications policy in a manner designed to accommodate the introduction of competitive services and supplies, we urge the government and telecommunications industry to recognize the need to preserve the continued availability of essential telecommunications services at reasonable costs through all rural areas of this nation.

We believe in the free enterprise system of providing goods and services. However, we also believe that some statutory requirements are needed to assure that low-density rural areas are afforded the same basic telecommunications service and technologies at the same affordable and reasonable prices as are offered the higher-density urban areas.

We urge the government and the telecommunications industry to assure that:

All long-distance services pay a fair share for their use of local exchange distribution facilities;

All essential long-distance services are priced on the basis of a uniform toll rate schedule to avoid severe price discrimination in high-cost rural areas; and

Rural telephone systems are permitted to offer their subscribers the full range of broadband telecommunications services, including cable television.

Annual Resolution 85-5 "Understanding & Support of the Anti-Monopoly Preference Principle"

In recent months there have been serious attempts to weaken the "preference" principle. Every Montana Electric Cooperative and more than 600 rural electric systems nationally depend on at least part of their power supply from the federal power marketing agencies. These agencies are authorized by the preference principle provisions contained in well-established and litigated doctrines of federal law and public policy.

There has not been a major fight in two decades involving "preference" and therefore a whole generation of Americans and national leaders are not well acquainted with the origins and benefits of preference. Indeed, many rural Americans are not fully informed of the direct benefits to millions of rural electric consumers and, indirectly, to all rural electric consumers.

NRCA should research and make available to member systems, and their

VISITORS' REGISTER

Business and Labor

COMMITTEE

BILL NO. Senate Bill 129DATE March 20, 1985SPONSOR Senator Boylan

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
FRANK HAZELBAKER	POLSON MT	✓	
JOANNE PERES	MACR - Ft. Benton		✓
P. E. Peres	FT Benton		✓
Tom Murphy	Big Falls	✓	
Mike Cronin	Helena	✓	
Murray M. M. M. M.	Great Falls	✓	
Jim Drummond	Bozeman	✓	
ELROY LETCHER	MT Council Corp. Helena	✓	
Tim Gill	Helena MT	✓	
KERRY SCHAEFER	MONTANA GRAIN Elev. ASSOC.	✓	
Larry Maye	Mt. Vehicle Dr.		
Paul Wilson	Polson MT	✓	
BOB JOHNSON	MONTANA GRAIN GROWERS ASS.	✓	
Henry Anderson	MT Agri Business Ass.	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

MINUTES OF THE MEETING
BUSINESS AND LABOR COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

March 28, 1985

The meeting of the Business and Labor Committee was called to order by Chairman Bob Pavlovich on March 28, 1985 at 8:00 a.m. in Room 312-2 of the State Capitol.

ROLL CALL: All members were present.

SENATE BILL 350: Hearing commenced on Senate Bill 350. Senator Bruce Crippen, District #45, sponsor of the bill, explained this provides for imposition of fines when the Securities Act has been violated and after suspension of a license. A \$500 per violation fine is included.

Proponent Kim Schulke, Staff Attorney, Office of the State Auditor, Securities Department, explained this will give the department the opportunity to recoup some of their expenses spent investigating.

Representative Schultz asked Kim Schulke what recourse the purchaser may have. Ms. Schulke explained the department may issue an order to get the purchasers money returned.

There being no further discussion by proponents and no opponents, all were excused by the chairman and the hearing on Senate Bill 350 was closed.

ACTION ON SENATE BILL 350: Representative Kitselman moved DO PASS on Senate Bill 350. Second was received, Senate Bill 350 will BE CONCURRED IN by unanimous vote.

ACTION ON SENATE BILL 129: Representative Howe stated the subcommittee did meet and were waiting to hear Senate Joint Resolution 31. Representative Driscoll moved to amend on the statement of intent, line 23, and explained the financial statement should be enough. Representative Bachini added that the clerk and recorders are against the bill due to the loss of money and the fee must be adjusted to make this work. Representative Bachini moved DO NOT PASS on Senate Bill 129. Representative Brandewie stated this is not a clerk and recorder bill and that they did get a raise in filing fees this session. Representative Ellerd offered a substitute motion that Senate Bill 129 DO PASS and moved the amendments attached hereto as Exhibit 1 and 2. He added there is no protection

for farmers, this bill is for grain people and lending institutions. Representative Howe stated that on the first amendment, you can not segregate livestock from a lien. Representative Schultz added that there is no way sheep and hogs can be identified and that a banker will not loan on anything that is not branded and less than 1/2 of 1 percent of all cattle are unbranded. Representative Thomas explained that it is possible to mortgage unbranded cattle. Representative Keller offered his support of the first amendment. Question being called to the amendments moved by Representative Ellerd, the first amendment received 9 yes votes and 11 no votes. A voice vote defeated the second set of amendments. Representative Ellerd withdrew his DO PASS motion. Representative Bachinis DO NOT PASS motion received 9 yes votes and 11 no votes. Representative Driscolls amendment received a unanimous vote. Representative Brandewie moved DO PASS AS AMENDED. A roll call vote resulted in 11 members voting yes and 9 members voting no. Senate Bill 129 will BE CONCURRED IN AS AMENDED.

ACTION ON SENATE BILL 349: Representative Kadas moved DO PASS On Senate Bill 349 and moved to strike the amendment that was put on previously and moved the amendment as shown on Exhibit 3 attached hereto. A unanimous vote was received in favor of stripping the prior amendment. Representative Thomas stated the \$2 million dollar figure cuts out a lot of business. Representative Pavlovich did agree. Representative Simon stated this could eliminate a lot of projects that would create Montana jobs. Representative Kadas added small business' are economically and politically more stable and they are better for the state. The board is in favor of this amendment. A roll call vote resulted in 4 members voting yes and 16 members voting no. Representative Hansen moved to amend as shown on the standing committee report attached hereto. Dale Harris explained this deals with stand alone projects and is not part of the pool. The amendment did pass with Representatives Kitselman, Simon, Jones and Brandewie voting no. Senate Bill 349 will BE CONCURRED IN AS AMENDED by unanimous vote.

ACTION ON SENATE BILL 208: Representative Schultz moved DO PASS on Senate Bill 208. Representative Glaser added this puts limits on where the money may go and that this is a small handout but is better than nothing. Representative Thomas moved to amend the statement of intent, on page 3, line 4 changing the percentages to 30% and 60%. Representative Schultz did agree and stated this would be those in lower positions. The amendment did pass

ROLL CALL VOTE

HOUSE COMMITTEE BUSINESS AND LABOR

DATE March 28, 1985 BILL NO. 129 TIME _____

NAME	AYE	NAY
Bob Pavlovich	✓	
Les Kitzelman		✓
Bob Sachini	✓	
Ray Brandewie		✓
Jan Brown		✓
Jerry Driscoll		✓
Robert Ellerd	✓	
William Glaser	✓	
Stella Jean Hansen		✓
Marjorie Hart		✓
Ramona Howe		✓
Tom Jones	✓	
Mike Kadas	✓	
Vernon Keller		✓
Lloyd McCormick	✓	
Jerry Nisbet	✓	
James Schultz		✓
Bruce Simon		✓
Fred Thomas	✓	
Norm Wallin		✓

Secretary Debbie Agui

Chairman Bob Pavlovich

Motion: DO NOT PASS 9-11

ROLL CALL VOTE

HOUSE COMMITTEE BUSINESS AND LABOR

DATE March 28, 1985 BILL NO. 129 TIME _____

NAME	AYE	NA
Bob Pavlovich	✓	
Les Ritselman		✓
Bob Bachini	✓	
Ray Brandewie		✓
Jan Brown		✓
Jerry Driscoll		✓
Robert Ellerd	✓	
William Glaser		✓
Stella Jean Hansen	✓	
Marjorie Hart		✓
Ramona Howe		✓
Tom Jones	✓	
Mike Kadas		✓
Vernon Keller	✓	
Lloyd McCormick	✓	
Jerry Nisbet		✓
James Schultz		✓
Bruce Simon		✓
Fred Thomas	✓	
Norm Wallin	✓	

Secretary Debbie Agui

Chairman Bob Pavlovich

Motion: amend. # 1 9-11

HOUSE COMMITTEE BUSINESS AND LABOR
DATE March 28, 1985 BILL NO. 129

NAME	AYE	TIME	NAY
Bob Pavlovich			✓
Les Kitzelman			✓
Bob Bachini		✓	
Ray Brandewie		✓	
Jan Brown			✓
Jerry Driscoll		✓	
Robert Ellerd		✓	
William Glaser			✓
Stella Jean Hansen			✓
Marjorie Hart		✓	
Ramona Howe			✓
Tom Jones			
Mike Kadas		✓	
Vernon Keller		✓	
Lloyd McCormick		✓	
Jerry Nisbet		✓	
James Schultz			
Bruce Simon			
Fred Thomas			
Norm Wallin			

Secretary Debbie Aquil

Chairman Bob Pavlovich

Motion:

DO PASS 11-9

3/28/85
SB 129
Submitted by:
Rep. Ellard

Amendment to Senate Bill No. 129.

1. Page 18.

Following: Line 4

Insert: " NEW SECTION. Section 8. Construction.

Nothing contained in 30-9-403 may be construed to limit the authority of the department of livestock to accept and file notices of security agreements covering branded livestock. All liens on any livestock bearing a recorded brand must be filed with the department of livestock as provided for in 81-8-301."

Renumber: subsequent sections

2. Page 18, line 6.

Following: line 5

Strike: "Section"

Insert: "Sections"

Following: "6"

Strike: "is"

Insert: "and 8 are"

3. Page 18, line 8.

Following: "to"

Strike: "section"

Insert: "sections"

Following: "6"

Insert: " and 8"

4. Page 18, line 10.

Following: "6"

Insert: " and section 8"

Handwritten notes and markings:

- Two sets of tally marks (vertical lines) on the left side of the page.
- A large handwritten "NO" with a diagonal line through it.
- Handwritten "9-11" with a diagonal line through it.

Exhibit D
3/28/85
SB 129
Submitted by
Rep. Evers

Amendments to Senate Bill No. 129.

1. Title, line 5.

Following: "AN ACT"

Strike: "TO ESTABLISH"

Insert: "RELATING TO THE FILING OF SECURITY INTERESTS;
ESTABLISHING"

@. Title, line 8.

Following: "COMPUTERS;"

Insert: "EXEMPTING BUYERS IN THE ORDINARY COURSE OF BUSINESS
FROM SECURITY INTERESTS IN UNBRANDED LIVESTOCK BOUGHT;
EXEMPTING SELLING AGENTS FROM LIABILITY TO THE HOLDER OF A
SECURITY INTEREST FOR UNBRANDED LIVESTOCK SOLD IN THE
ORDINARY COURSE OF BUSINESS;"

3. Title, line 11.

Following: "7-4-2631,"

Insert: "30-9-307,"

4. Page 2, line 6.

Following: "7"

Strike: "6"

Insert: "7"

5. Page 5.

Following: line 2

Insert: "Section 3. Section 30-9-307, MCA, is amended to read:
"30-9-307. Protection of buyers of goods. (1) A buyer in
ordinary course of business (subsection (9) of 30-1-201)
other than a person buying farm products from a person
engaged in farming operations takes free of a security
interest created by his seller even though the security
interest is perfected and even though the buyer knows of its
existence.

(2) In the case of consumer goods and in the case of farm
equipment having an original purchase price not in excess of
\$2,500 (other than fixtures, see 30-9-313), a buyer takes
free of a security interest even though perfected if he buys
without knowledge of the security interest, for value and
for his own personal, family or household purposes or his
own farming operations unless prior to the purchase the
secured party has filed a financing statement covering such
goods.

(3) Notwithstanding subsection (1) and the meaning of farm
products as defined in 30-9-109, a buyer, in the ordinary
course of business, who buys livestock not bearing a
recorded brand or mark takes such livestock free of a
security interest in the livestock even though the security
interest is perfected and even though the buyer knows of its
existence.

Amendments to SB 129

(4) A selling agent who sells for another for a fee or commission livestock that does not bear a recorded brand or mark is not liable to the holder of a security interest in the unbranded or unidentifiable livestock even though the security interest is perfected and even though the selling agent knows of its existence if the sale is made in the ordinary course of the selling agent's business."

Renumber: subsequent sections

6. Page 11, line 14.

Following: "SECTION"

Strike: "6"

Insert: "7"

7. Page 12, line 17.

Following: "SECTION"

Strike: "7"

Insert: "8"

8. Page 13, line 21.

Following: "SECTION"

Strike: "6"

Insert: "7"

9. Page 15, line 25.

Following: "SECTION"

Strike: "7"

Insert: "8"

10. Page 18, line 6.

Following: "7"

Strike: "6"

Insert: "7"

11. Page 18, line 8.

Following: "7"

Strike: "6"

Insert: "7"

12. Page 18, line 10.

Following: "through"

Strike: "6"

Insert: "7"

13. Page 18, line 11.

Following: "Sections"

Strike: "7"

Insert: "8"

Following: "11"

Strike: "9"

Insert: "10"

STANDING COMMITTEE REPORT

March 28 19 35

MR. SPEAKER

We, your committee on BUSINESS AND LABOR

having had under consideration SENATE Bill No. 129

third reading copy (blue color)

CENTRALIZED FILING SYSTEM FOR SECURITY INTERESTS COVERING AGRICULTURAL GOODS

SENATE

129

Respectfully report as follows: That Bill No.

BE AMENDED AS FOLLOWS: - STATEMENT OF INTENT

1. Line 23

Following: "statement"

Strike: remainder of line 23 and line 24 through "necessary"

DO PASS
BE CONCURRED IN
STATEMENTS OF INTENT, AMENDED

ROLL CALL VOTE

HOUSE COMMITTEE BUSINESS AND LABOR

DATE March 29 1985 BILL NO. 129 TIME _____

NAME	AYE	NAY
Bob Pavlovich	✓	
Les Kitzelman		✓
Bob Bachini	✓	
Ray Brandewie		✓
Jan Brown		✓
Jerry Driscoll	✓	
Robert Ellerd	✓	
William Glaser		✓
Stella Jean Hansen	✓	
Marjorie Hart		✓
Ramona Howe	✓	
Tom Jones		✓
Mike Kadas	✓	
Vernon Keller		✓
Lloyd McCormick	✓	
Jerry Nisbet	✓	
James Schultz		✓
Bruce Simon		✓
Fred Thomas		✓
Norm Wallin	✓	

Secretary Debbie Aquil

Chairman Bob Pavlovich

Motion: Reconsider 129

10-10